

NATIONAL REVIEW

The Pope and Poverty

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September 23, 2015

Pope Francis has come to the United States, bringing with him more criticism of capitalism than a Bernie Sanders rally. He speaks with eloquence, fervor, and great moral standing. He is also wrong.

The pope's emphasis on the needs of the poor is important, especially in today's politics, where poverty is often a public-policy sideline. But in calling attention to the problem, he fails to understand that free-market capitalism is not a cause of poverty, but a solution.

To see an example, the pope needs look no further than his native Argentina. In 1980, less than 1 percent of Argentinians lived in extreme poverty (that is, on less than \$2 a day), while in neighboring Chile, the extreme-poverty rate exceeded 15 percent. Today, while the proportion of Argentinians living in extreme poverty has risen slightly, to nearly 3 percent, Chile has seen the most dramatic reduction in poverty in Latin America. Fewer than 2 percent of Chileans now live in extreme poverty.

Overall economic growth tells a similar tale. After accounting for purchasing-power parity, per capita GDP was 12 percent higher in Argentina than in Chile in 1980. Today, Chile's per capita GDP is 16 percent higher than Argentina's.

What accounts for the difference? Following the fall of Salvador Allende, Chile embraced free-market capitalism. And while the initial economic gains were tainted by the country's brutal dictatorship under General Pinochet, they have largely continued through the democratic governments that replaced the military regime. The transformation has included everything from free trade to lower taxes, from denationalization of state-owned businesses to the privatization of social security. According to the latest Economic Freedom of the World report, Chile's economy is now the 13th-freest in the world — freer, in fact, than the United States' economy.

Meanwhile, Argentina's economy has remained firmly mired in government control under a succession of presidents. The Economic Freedom report ranked Argentina a disappointing 151st. And Argentinians are suffering the consequences.

An even more dramatic example is Venezuela, where Hugo Chávez and Nicolás Maduro have imposed the socialist policies that Pope Francis hints at. Since Chávez took power in 1999, Venezuela has dealt with economic stagnation, some of the highest inflation in the world, and

shortages of some of the most basic goods, like toilet paper. Poverty, which briefly declined at the beginning of Chávez's reign, has begun rising rapidly. Although accurate figures are hard to come by, it is estimated that between one-third and one-half of the population now lives in poverty. In the Economic Freedom report, Venezuela ranks dead last — 157th.

The reality is that free-market capitalism has done more to help the poor than any other force in history. Consider that in the last 20 years, as much of the world has embraced free markets, more than a billion people have been lifted out of poverty, while the number of people worldwide living on less than \$2 per day has been cut in half. In China alone, even the partial adoption of a market-oriented economy has saved more than 650 million people from poverty. Almost 84 percent of Chinese lived in extreme poverty in 1987. Today, less than 20 percent do.

In sub-Saharan Africa, GDP per capita has more than tripled since 2000. In India, a 90 percent decline in hunger began when the government scrapped much of its socialist regulatory regime and introduced free-market reforms, starting in 1991.

As Bono, hardly a right-wing icon, explains, 'Capitalism takes more people out of poverty than aid.' Throughout most of human history, most of mankind lived in truly abject poverty. Indeed, even the richest and most powerful lacked the goods and services that are within reach of all but the poorest today. But as Charles Murray points out, "everywhere that capitalism . . . took hold, national wealth began to increase and poverty began to fall. Everywhere that capitalism didn't take hold, people remained impoverished. Everywhere that capitalism has been rejected since then, poverty has increased." Once more, witness Venezuela.

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Pope Francis is right to remind us of our obligation to help the poor and less fortunate. But the pope, who admits that he is not an economist, misunderstands the transformative power of free markets. And given the remarkable compassion that this pope has shown on so many subjects, it would be a bitter irony indeed if his ill-informed critique of capitalism condemned more people to a life of poverty.

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